



## POLICY BRIEF 2026\_2

# Growing social entrepreneurship in the Baltic Sea region – An ecosystem approach

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## KEY MESSAGES

- ▶ **Local and national contexts shape the growth of social entrepreneurship.** The Baltic Sea region showcases diverse social entrepreneurship ecosystems, and much can be learned from one another. However, all best practices need to be tailored to local and national conditions. Cultural, historical, political and organisational practices shape the role of social entrepreneurship across different places and affect its future development.
- ▶ **The potential of rural areas for social entrepreneurship is recognised but remains underutilised.** While rurality is acknowledged at a strategic level in several national ecosystems, it is rarely reflected in their actual structure. To fully leverage social entrepreneurship for service provision in these areas, the specific needs of rural places must be directly addressed and valued.
- ▶ **Bridging the gap between institutionalised ecosystems and rural initiatives is essential.** Social entrepreneurship ecosystems are often characterised by institutions and intermediaries, primarily at the national level. While these institutionalised ecosystems struggle to reach rural areas, rural social enterprises can themselves drive regional ecosystem development. Encouraging place-based, community-centred efforts can help integrate these ventures into the broader ecosystem while ensuring support is not limited to urban centres.

## Introduction

Social entrepreneurship involves establishing and managing organisations that innovatively address social needs through business means. Hence, the resulting social enterprises “are businesses that trade for a social purpose” (Steiner and Teasdale 2019). To foster social entrepreneurship within a country, region, or city, ecosystem models have become the most salient in research and practice. This concept, originating in biology, was initially applied to entrepreneurship development and later adapted for social entrepreneurship research and policy. A social entrepreneurship ecosystem includes all the elements necessary for social enterprises to germinate, grow, and flourish. According to Biggeri et al. (2017), these ecosystems comprise (1) access to diverse financial, human, physical, and intellectual resources; (2) human capital and linkages between organisations; (3) institutional



robustness and political willingness; (4) collective action and social capital; (5) adequate demand for specific goods and services. The culture and state play significant roles in fostering or hindering the development of the social entrepreneurship ecosystem, which is why ecosystems differ significantly between countries.

## Diverse social entrepreneurship ecosystems in the Baltic Sea region

The Baltic Sea region is an intriguing setting for analysing social entrepreneurship ecosystems because it comprises countries with both similar and different institutional contexts, e.g., welfare systems. We examined ecosystems of six countries in the Baltic Sea region to understand their different challenges and development trajectories (Alms and Tamásy 2026). To classify these ecosystems into various types, we adapted the classification by Hazenberg et al. (2016). It describes four types, differentiated along two axes. The first axis distinguishes between state- or market-oriented ecosystems. The second axis relates to scale, examining whether social enterprises mainly address the local level, such as through public procurement by municipalities, or if social entrepreneurship is primarily promoted by the national government.

Our sample from the Baltic Sea region reveals that the three countries with a Nordic welfare model, Denmark, Sweden, and Finland, are on the statist side. Public bodies are the most important clients of many social enterprises, which received, at least temporarily, state support. While Denmark and Sweden exemplify a statist-micro model where municipalities and regions have considerable influence over their local and regional ecosystems, Finland's ecosystem is of a statist-macro type. Finland has undertaken significant legislative and strategic initiatives at the national level to promote social entrepreneurship. Regional and local support structures are now beginning to develop within the central frame. The ecosystems in Estonia and Germany are of a private-macro nature, with the state primarily focusing on fostering the market activities of social enterprises. Direct grants are less common, and the main partners for social enterprises are other enterprises and clients in the market. The development of these ecosystems is mainly driven by the national governments. In particular, in Germany, social enterprises in rural areas face challenges in navigating the well-established but distant national systems.

The social entrepreneurship ecosystem in Latvia is unique, as it exhibits features of all four types and can thus be classified within the central pluralistic zone. The Latvian government plays a central role in shaping ecosystems, especially through a Social Enterprise Law and related grants. At the same time, Latvian social enterprises are highly market-oriented, primarily relying on trading income. The national level is crucial in creating a supportive framework for social enterprises. However, the law also encourages municipalities to allow social enterprises to occupy public properties rent-free, and some regions and municipalities are engaged in developing social entrepreneurship locally. These initial findings indicate that social entrepreneurship ecosystems are effective at the national level and that national governments are central to setting the framework for their development, but there can be considerable differences within a country, especially between rural and urban areas.

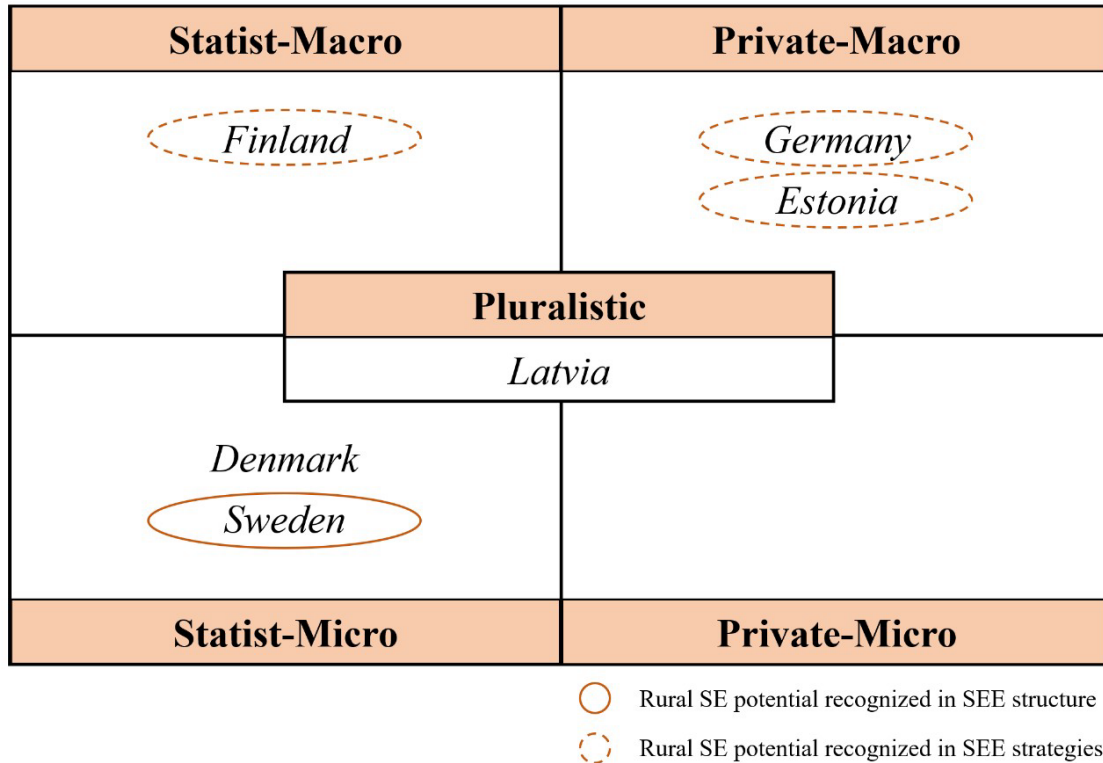


Figure 1: Classification of social entrepreneurship ecosystems following Hazenberg et al. (2016), including the recognition of rurality (Alms and Tamásy 2026)

Figure 1 also shows that, at a strategic level, rural areas are recognised as important in several national ecosystems, but only Sweden’s very decentralised ecosystem reflects this potential in its structure. In Sweden, regional authorities and municipalities are responsible for developing a social entrepreneurship ecosystem. While this allows predominantly rural regions to adopt tailored strategies and measures, it also hinders cross-regional coordination, and support for social entrepreneurship varies widely across the country.

Like public authorities, intermediary organisations are central actors within the social entrepreneurship ecosystem. They are often membership organisations representing the interests of social entrepreneurs; they connect their members, advocate for social entrepreneurship, and offer courses and training. Others function as incubators or accelerators that support social entrepreneurs in developing their businesses, while some provide financial assistance or expertise. Intermediaries frequently see it as their task to develop the ecosystem. Therefore, their perception of rural areas is crucial. A discourse analysis of intermediaries across the same six countries revealed that they primarily understand social entrepreneurship as an urban concept. It is associated with cities with young people, where innovation spreads through everyday encounters. Rurality is seen as the counter-image of this environment. People in rural areas are perceived as more conservative than innovative, and, given the long distances, new ideas spread less easily. Some social entrepreneurial projects in rural areas are well-known but considered exceptional and often seen as urban ideas implemented in rural settings. In addition, rural social entrepreneurship is often seen as needs-driven and aimed at maintaining liveability. Social entrepreneurs may not even strongly identify with the concept of social entrepreneurship. Not all social entrepreneurs fit a start-up culture, and an

emphasis on innovativeness might discourage those humble entrepreneurs who do not see their approach as highly innovative (Roundy and Lyons 2022).

## Case Study Approach

These initial insights shed light on the role of rural areas within these institutionalised ecosystems. To learn more about how these ecosystems reach social enterprises in rural areas and the role they play in entrepreneurs' everyday practices, we conducted three case studies. The first author visited each enterprise for 9 days to participate in ongoing activities and conduct on-site interviews.

The first enterprise was *Wir bauen Zukunft* ('We build Future') in Northern Germany. The community of this cooperative, founded in 2016, bought an abandoned botanical garden in a rural area with the aim of experimenting with innovative regenerative forms of co-living and coworking, including sustainable construction, regenerative agriculture and the development of sustainable business models. Its main business model is hosting events with up to 800 participants. The second enterprise was *Dabas Zirgi* ('Nature Horses'), a Latvian social enterprise in a rural region close to Riga running a horse stable where the well-being of the horses is prioritised over the leisure requests of horse owners. The limited liability company is run by a single entrepreneur and acquired the legal status of a social enterprise in 2021. The third social enterprise chosen is *Pohjoisesta Luonnosta* ('Of Northern Nature') in Finnish Lapland. Since 2022 it is run by a married couple as a limited liability company. They are mainly known for the wholesale of berries and other forest products picked by locals. Big berry-picking companies exploit workers from abroad, while many inhabitants of Lapland are seasonally unemployed in summer. With this fair trade business model, as well as their other diverse activities, *Pohjoisesta Luonnosta* wants to raise awareness of the value of natural products and help sustain the liveability of Lapland's vast rural areas.





The case studies reveal that social enterprises can operate for many years without being involved in the structures of formal national ecosystems. On the one hand, they might not identify with the concept of social entrepreneurship, even if they are involved in the system through trading structures that operate on supply-and-demand dynamics with other social enterprises. On the other hand, they are deeply embedded in place and focus on their mission and local partners. The social enterprises of the study were involved in many networks, especially those closely related to their mission and local or regional ones. The institutionalised social entrepreneurship ecosystem is an additional and inspirational ecosystem and often not closely related to the everyday practices.

In the case of *Wir bauen Zukunft*, a thriving local and regional ecosystem developed around the cooperative. This observation led us to distinguish between two kinds of ecosystems for social entrepreneurship. The institutionalised ecosystem usually operates at the national or regional level. These ecosystems are scale-spanning, based on intermediary organisations that connect entrepreneurs, and they rely mainly on online connections. The other kind is a place-based ecosystem that is not formally institutionalised, relying on personal relationships and interactions within a particular place. In this community-centred ecosystem, support and contacts are shared, allowing new social ventures to benefit from the experiences of older ones. Many relationships are initially formed through co-location, which develop into deeper links, such as relations of demand and supply between partners. Our case study demonstrates their potential and may inspire national ecosystem developers to seek out and foster such local initiatives, particularly in rural areas. Rural social enterprises are also valuable partners in institutionalised ecosystems, as they can provide ample space for workshops and get-togethers and can therefore serve as meeting places for ecosystem partners from different parts of the country who do not often meet in person.

## Conclusions

The Baltic Sea region is a remarkable area for studying social entrepreneurship. The countries within the region have developed very different ecosystems and can benefit from sharing their experiences. There is no single perfect way to build a social entrepreneurship ecosystem, and solutions must always be tailored to fit the existing culture and welfare system. Nevertheless, the Baltic Sea region offers promising examples of ecosystem development that can inspire future progress. However, not all regions within a country are equal, and the development of ecosystems must account for the specific needs of particular places. Therefore, social entrepreneurship in rural areas has to be recognised and valued. Many social entrepreneurial initiatives are unaware that they are social ventures and only become part of institutionalised ecosystems after operating their social businesses for several years. Focusing the communication on explaining social innovation as nothing less and nothing more than a new way of delivering goods and services could encourage more rural social entrepreneurs to participate in formal ecosystems and contribute their expertise and perspectives. A balanced view of social entrepreneurship, where opportunity-seeking, market-driven entrepreneurs are represented alongside needs-driven, community-oriented ones, can help expand social entrepreneurship into a powerful tool to address the multiple social challenges faced today.



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